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E. E. SPICER, F.C.A
LONDON

EDUCATION FOR THE PROFESSION

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EDUCATION FOR THE ACCOUNTANCY PROFESSION.

BY E. E. SPICER, F. C. A. London.

FOREWORD.

Education is a subject upon which most Englishmen are by common consent presumed to be wholly ignorant, and, therefore, I regard it as a great compliment to be invited to read a Paper on an Educational subject before an International Congress of Accountants.

Each Nation has its own ideas and ideals regarding Education, and in all probability each Nation is to some extent wrong in the methods which it adopts, and therefore, an International exchange of thought on the subject must prove beneficial.

Education for the Accountancy Profession is a matter of profound importance not only to Professional Accountants but to the community as a whole, and bearing in mind the fact that the Profession throughout the entire world is still in its infancy, that it is growing daily in National and International prestige, and that the scope of the duties of the Professional Accountant is constantly expanding, it is clear that too much attention cannot be given to the question as to what form of Education will be most likely to produce in the future the best type of Accountant to uphold the dignity of the Profession.

In this Paper I propose to outline very briefly the methods generally adopted in England for the education of the student in Accountancy, and then to indicate what alterations are, in my opinion desirable in order to cope with the ever increasing demands which the expansion of the activities of the Profession make upon the practising Accountant.

It must be understood, however, that I am dealing with the matter purely from the point of view of my own country, since in England the School education differs so materially from that favoured by other Nations of the World.

The nature of English school education is almost entirely general, and its fundamental object is to develop the brain and to build up character, rather than to impart any specific knowledge which may prove subsequently of commercial value.

It is probable that we, in England, emphasise the virtues of Sport unduly, and might, with advantage, introduce a measure of commercial instruction into the School curriculum, but assuming the general education of the English boy remains more or less unaltered, it seems to me that some modification is desirable in the specific education of the student in Accountancy.

In saying this I do not intend to convey the impression that the methods adopted in the past have been faulty, but rather to submit that the scope of the duties of the Professional Accountant has so changed in character during recent years as to render what was sufficient yesterday inadequate today.

The Accountancy Profession in England.

The recognition in England of Accountancy as a Profession may be said to date from the year 1880 when the Institute of Chartered Accountants was incorporated by Royal Charter. It is true that prior to that date various small Societies of Accountants existed, but no serious effort had been made to bring practising Accountants under the disciplinary control of one central organisation.

The immediate effect of the incorporation of the Institute was, for all practical purposes, to impose this central control, and it must be assumed that the Members of the Council at that time considered that the prestige which the Royal Charter conferred upon them would be all sufficient, and that the benefits which were then so apparent would be lasting and complete. This view was erroneous and gave rise to a great initial blunder on the part of those who in the early days had in their own hands the future welfare of the Profession in England.

It is submitted that these gentlemen should at once have taken the requisite steps to obtain Parliamentary sanction to the closing of the Profession, thus preventing any person who had not obtained the qualification of a Chartered Accountant from practising as a Professional Accountant.

This was not done, however, and as a result the Society of Incorporated Accountants and Auditors was formed in the year 1885.

This Society is a Limited Company, incorporated under the Companies Acts, limited by guarantee. With the important exception of prestige, there is no essential difference between the constitution of the Society and that of the most of other Societies of Accountants that have sprung into existence during recent years.

The Society of Incorporated Accountants and Auditors has, however, from the very start demanded a very high standard of efficiency from its Members, and this fact taken in conjunction with the recognised integrity and character of those who have directed its fortunes, has raised the Society to the high position which it now occupies in England and throughout the British Empire.

The well merited success of the Society of Incorporated Accountants and Auditors has led to the formation of many other Societies of Accountants, and there is nothing at present to prevent the continued multiplication of such Bodies. Thus in England today the standard of efficiency demanded of the qualified Professional Accountant varies with the whim of the particular Society to which he is attached.

Whether, or not, this unsatisfactory state of affairs can best be rectified by an immediate effort on the part of the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors to obtain legal sanction to the closing of the Profession is a matter entirely outside the scope of this Paper, but it may be said with confidence that great practical difficulties stand in the way.

In the meanwhile, however, the dignity and prestige of the Profession in England rest with the Institute and the Society, and so long as these Bodies are controlled by men of the standing and character of those who are in Office today, little real danger need be feared. It is necessary, however, that the standard demanded by these Bodies should be so high that the public will continue to recognise the gulf which exists between their Members and those of other Societies of Accountants, so that, as far as possible, the dangers inherent in all open Professions may be eliminated.

The Scope of the Accountancy profession.

The scope of the Accountancy Profession has been increased to a very marked degree in recent times. The enormous expansion of trade and international commerce and the great increase of credit during the last fifty years have combined to lift the Accountancy Profession from comparative obscurity to a position of marked prominence. This has been aided, in part, by legislative enactments in England, by which Accounts, more particularly of Companies, are required to be audited and reported on by Professional Accountants.

The peculiar position of London as a great centre of international trade has brought the Profession face to face with numerous problems of international rather than of local importance.

It is probably correct to say that there is scarcely a Concern of any importance in Great Britain which does not look to the Accountancy Profession not only for the Auditing of its Accounts, but also for advice on important questions that arise in the ordinary course of its dealings. It is perhaps in the capacity of consultants that the Accountants of today are distinguished most noticeably from those of twenty years ago, for they are referred to now not only by Trading and Manufacturing Concerns, but also by Financial Houses, Banks and other operators in the Money Market. The field of the Accountant's professional operations is co-terminous with the limits of business transactions, and there is no branch of commercial activity with which the Accountancy Profession is not intimately concerned. If the profession is to realise the future which appears to be in store for it, it must equip itself, more thoroughly than ever, to discharge its responsibilities.

It is indeed difficult for an Accountant, in these days, to acquire the specialised knowledge that is required to enable him to deal with the varied problems which arise throughout the field of his activities.

An interesting distinction, in this respect, may be noticed between the Accountancy Profession and the Legal and Medical Professions. In England, and in probably most countries of the world, the Legal and Medical Professions, and more particularly the former, are highly specialised, and the great advance that has been made

in modern times in these Professions may be attributed largely to this fact. There is no mortal disease, for instance, which is not the subject of close specialised study, and for which specialists are not available. In the Legal Profession, the most eminent Counsel concern themselves with only one branch of the Law. The Accountancy Profession, on the other hand, dealing with an almost limitless field of human activities in the pursuit of wealth, and closely associated with the financial operations of the world, has, up to the present time, scarcely recognised the need for specialisation. It would seem, however, that a stage has now been reached when the members of the Profession, out of sheer necessity, in order to meet the increasingly specialised demands made upon them, will have to modify, in some measure, their present position of undertaking immensely varied Professional duties in the way of general practice.

It is not easy to postulate the manner in which the Profession will meet the present need for specialised knowledge, but it is probable that the first step will be for the Partners of a Firm to specialise in particular Branches of the Profession, each becoming an expert in selected subjects. In this way the Firm, to the extent to which this is done, will become Specialists, and will acquire a special rather than a general practice.

Such a development seems almost inevitable in the near future, and by bringing Accountants into prominence as recognised consultants on the most difficult problems of business practice, the prestige and importance of the Profession cannot but be increased.

The normal Education of an English youth.

Education in England on the whole is general rather than specialised, and it may be useful very briefly to outline the type of education which in England is considered the most satisfactory and which is adopted by the upper and middle classes.

At the age of nine or ten a boy is usually sent to a Preparatory School where he remains until the age of thirteen-and-a-half. These Preparatory Schools are usually Boarding Schools, and as far as circumstances permit are run on much the same lines as Public Schools.

At thirteen-and-a-half the boy enters one of the Public Schools,

which are not in any way State Schools, but which provide the highest standard of education in the country. The majority of them are Boarding Schools, and in the past have devoted their attention mainly to the study of Classical subjects. This has been modified in recent years, and in many of these Schools Scientific and Engineering subjects are now receiving considerable attention. The Public Schools to a large extent are individualistic in character each having its own traditions and prestige which are maintained and fostered, and thus each Public School tends to develop a definite type of youth. Games involving team work, such as, Cricket and Football, are encouraged and play a prominent part in the curriculum of School life. These Games are not optional. In fact, in many cases only a Doctor's certificate will excuse a boy from taking his part in them.

The career of the boy at a Public School usually lasts until he is about eighteen, or eighteen-and-a-half, and at that stage he either goes to the University, or enters upon some Professional or Commercial occupation. If he goes to the University he remains there for three or four years and usually specialises in some branch of study of a non-commercial character, such as, Classics, Mathematics, Science, History, Philosophy, or Economics. During his stay at the University, although he is expected to do a reasonable amount of work, the traditions of the University and of his College compel him to continue his activities in Games. The system at the bigger Universities attaches the students to individual Colleges with whose interests they become identified during their University career. The students are subject to a certain amount of discipline both on the part of the University and of the College Authorities, but on the whole this discipline is more traditional than effective.

It will be understood that the system of education referred to is normal only to a small part of the population, and that the majority obtain their education at Elementary and Secondary Schools which they leave at about the age of sixteen, or earlier, to embark on the more serious work of life.

It thus happens that there are three main types of youth who enter the Profession of Accountancy:

a) The youth of sixteen or seventeen who usually has not been to a Public School, and whose education, limited as it must be, is quite general.

b) The Public School boy who does not go to the University, but who has had a wider general education than his more youthful competitor, and,

c) The Public School and University youth whose general education, assuming he takes an Honours Degree at the University, represents the highest standard available in England.

In all these cases it is clear that the potential Accountant starts with a general education, differing only in degree, but without having studied any of the subjects which are necessary in his future career.

It may be remarked here that the Profession in England is not confined to the male sex, but that the soft sex are also admitted. The education of girls in England follows very closely the lines already indicated in regard to boys, and the rules governing admission to the Profession are the same for both sexes.

The Articled clerk and his training.

To become a Chartered Accountant in England it is necessary to serve Articles with a practising Member of the Institute. The normal term of Articles is five years, but this is reduced to three years in the case of a Graduate of one of the Universities. The Candidate is required to pass a Preliminary Examination of a general Education character, unless he can satisfy the Governing Body of the Institute that he has passed some Examination which comes within the exempting Clause under the Bye-Laws.

A Candidate can present himself for Articles at any time after passing the age of sixteen, and thus it is possible for a person in England to become qualified as a Chartered Accountant at the early age of twenty-one. Two Examinations have to be passed involving tests not only in matters directly affecting Accountancy, but in several Legal subjects, and it may be said with confidence that the standard of these Examinations is high.

The whole of the special training of an Accountant takes place, therefore, after the Articles have commenced. At present this special training consists of practical work in the Office of a practising Chartered Accountant together with concurrent theoretical training in preparation for the Examinations. It is found, in practice, however, that the theoretical training does not commence at the same

time as the Articles and is not spread uniformly over the term of the Articles, being condensed rather into two periods of nine or twelve months prior to the qualifying Examinations.

It is submitted that the question of the training of the Articled Clerk resolves itself into two parts, the training antecedent to Articles, and the training during Articles. Reference has already been made to the general education obtained by English youths, and it is now desired to emphasise the view that no one should be allowed to take Articles until he has passed a fairly searching test in the theory of Bookkeeping and Accounts and other matters.

The main business of every practising Accountant is Auditing, and it is usual to employ the newly bound Articled Clerk upon elementary detail work in connection with Audits.

It is submitted, however, that where the Articled Clerk has had no preliminary theoretical training, this practice is unsound for three reasons:

1. Nobody should be employed to check the work of other persons unless and until he himself is capable of performing that work.
2. In the early stages of his training the Articled Clerk often spends much time in performing work, the true significance and importance of which he does not fully understand.

   He is working, therefore, to some extent, in a mechanical manner which is to be deprecated, and he is not deriving from his practical work the benefit which would accrue to him had he received preliminary theoretical training.
3. Experience has proved in the case of other Professions, notably the Medical Profession, that theory must precede practice if the best results are to be obtained, and it is difficult to see why this rule should not apply to the Accountancy Profession with equal force.

The education of the Professional Accountant must be based on knowledge acquired by theoretical means augmented by empirical training. Neither means is sufficient by itself, and it is only the combination of the two that is effective in producing the really expert Accountant.

It is suggested that the standard of this preliminary theoretical training should be such as to ensure that the Candidate for Articles has a complete understanding of the principles upon which the

keeping of Accounts by Double Entry are founded, since it is by a mastery of these theories that he is enabled first to see the ultimate effect of any entry which is made, secondly to give effect to adjustments without having to revert to precedent, and thirdly to comprehend the nature of transactions of every kind even apart from an inspection of actual entries in the books.

The Candidate for Articles should also have some knowledge of legal principles since every commercial transaction has a legal consequence, and the person entering into it is assumed to look to that consequence.

In the Accountancy Profession legal matters are continually arising, and this applies particularly in the case of the Audits of Limited Companies. Moreover, unless the legal effect of a transaction is appreciated it cannot be correctly recorded in terms of Accounts.

It is not proposed that this preliminary theoretical training should involve any profound knowledge of the Law, but it should be sufficient to enable the Articled Clerk to appreciate from the start the general principles of the Law applicable to all businesses.

General Commercial Knowledge should also form part of this preliminary theoretical training, and it is submitted that no person should be articled until he can read with understanding the money article in the leading Financial Newspapers.

This will involve a general study of the principles upon which particular types of business are conducted, such as Banks, Insurance Companies, Stockbrokers and Stockjobbers, and the knowledge thus acquired will enable the Articled Clerk to apply recognised principles to concrete matters, and visualise the ultimate effect resulting therefrom.

The question of being able to speak fluently and to read at least one foreign language is a matter of great importance to the rising generation of English Professional Accountants. In the past very little attention has been given to the study of modern languages in England, and two reasons are put forward to account for this phenomenon:

1. Foreign nations have courteously decreed that English is an important language worthy of their serious consideration. It has thus happened in the past that Englishmen have found it pos-

sible to travel all over the world and transact their business without troubling about foreign languages, and there is no doubt that this energy on the part of others has encouraged the laziness of the Britisher.

2. The British Empire is large and the number of English speaking people in the world great, and apparently the smaller nations have felt it worth while to oblige the larger nation.

This state of affairs, however, is fast becoming impossible to the Englishman, largely owing to the growth of international business, and it is submitted that the English Accountant of tomorrow must be able to understand and speak at least one important language if he is to hold his own and efficiently serve his clients.

From an English point of view the most important languages are undoubtedly German, Spanish and French and if it could be arranged that a mastery of one of these languages were an indispensable qualification to Articles, great encouragement would be given to English parents to provide facilities for their children to learn these languages during childhood.

This would enable the Schools to set up a far higher standard in the teaching of modern languages, and would ultimately prove a great source of strength to the nation in its commercial dealings with other countries.

The theoretical test, which it is advocated should be a condition precedent to Articles, would not materially delay the commencement of Articles, for it would be open to Candidates to enter for it direct from School or the University much in the same way as at the present time Candidates enter for the Bar Examinations. In order to ensure, however, that no person should be qualified as a Professional Accountant before he has reached mature years, it should be prescribed that a Candidate for the theoretical Examination prior to Articles should have reached at least the age of nineteen.

It has already been noticed that under existing conditions it is possible for a person in England to become a practising Chartered Accountant at the age of twenty-one. It is suggested that in the interests of the Profession, as well as of the public, it is undesirable that independent practice should be permitted at this immature age, and twenty-four of twenty-five would seem to be the earliest ages at which an Accountant should be allowed to enter into prac-

tice, either on his own account or in partnership with others. After the theoretical Examination had been passed at an age of not less than nineteen years, Articles would commence and they should, it is submitted, last for at least three years.

During the term of the Articles the Clerk would obtain practical experience in as many Branches as possible of Accountancy work, and he would, at the same time, continue his theoretical training. He would be required to pass two Examinations before becoming qualified as a Chartered Accountant. The second of these Examinations, taken at the end of the term of Articles should, it is thought, be of a severely practical nature and should demand, among other things, a high standard of efficiency in Report writing and self expression.

It is believed that the theoretical training received prior to Articles would enable the practical work to be done more thoroughly and intelligently than is possible in present conditions, and the continued theoretical and empirical training during the term of the Articles would be the more productive by reason of the sound foundation upon which it was built.

What has been said concerns the Articled Clerk himself in regard to his training, but there is something to be said, it is submitted, respecting the practising Accountant to whom a Clerk is Articled. At the present time any practising Chartered Accountant in England is entitled to have two Articled Clerks, but no control is exercised by the Institute of Chartered Accountants over the nature of the practical training that is given to the Clerk. There is, in consequence, no central authority to see that a Clerk who has paid a substantial premium for his practical training receives in fact, a training that is likely to qualify him as a useful Member of the Profession. Probably from the point of view of his future the Clerk who is Articled to a Firm of medium size with an all-round practice is the most fortunate, but the practices of Firms differ widely. Some have small practices, and others very large; some are specialised and some are general. Perhaps the most unsatisfactory training from the point of view of the Articled Clerk is to be found in very small Offices where of necessity there is little variety of work, or, in very big Offices where the work is highly departmentalised, and where the Articled Clerk may find himself engaged for nearly the whole

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term of his Articles on one particular class of transaction. Again, some Firms specialise on certain classes of work, such as, Rubber, and Tea and Coffee Estates, and here again, the training of the Articled Clerk is bound to be one-sided. It is a matter for consideration whether a central authority should not lay down the nature of the practical training that every Articled Clerk should receive, and prevent any practising Chartered Accountant, who cannot offer and provide the minimum facilities laid down, from granting Articles.

Another matter connected with the Articled Clerk would seem to be of some importance. At the present time in England a Candidate pays a substantial sum for his Articles. In some cases he receives a small salary; in many cases he receives none. On the other hand for a good portion of the term of his Articles an Articled Clerk, if an intelligent and hard-working person, is of substantial use and profit to the Accountant to whom he is Articled. The whole of the present system of Articles and premiums is somewhat archaic, and it is submitted that if the suggestion of a preliminary theoretical test prior to Articles is accepted, the Articled Clerk practically from the beginning of his Articles will be a valuable Assistant, and should be entitled to receive a salary commensurate with his services.

The recommendations under this heading may perhaps be summarised. It is suggested that:

1. No one should be eligible for Articles until he has reached the age of nineteen.
2. No one should be eligible for Articles until he has passed a fairly searching test in the theory of Bookkeeping and Accounts, in General Commercial Knowledge and in one Foreign language.
3. The term of Articles should be not less than three years.
4. During the term of Articles there should be two Examinations, the second, on passing which a Candidate would become qualified as a Chartered Accountant, being of a very practical nature.
5. The Institute of Chartered Accountants should regulate the practical training of an Articled Clerk and should withhold from practising Accountants, who cannot give the necessary facilities, the right to take Articled Clerks.
6. The system of premiums should be modified or eliminated, and

an Articled Clerk should be paid a salary commensurate with the value of his services.

7. A Certificate of Practice entitling a Chartered Accountant to practise, either on his own or in partnership, should be withheld until he has reached the age of twenty-five.

A further recommendation may be added. The proposal to raise the age of admission to Articles from sixteen to nineteen may be considered to prejudice the prospects of youths, who, by reason of their circumstances, are obliged to leave school at the age of fifteen or sixteen. To meet any hardship that may arise on this account, as well as to attract the best possible material, it is suggested that a number of Scholarships should be founded to assist youths of outstanding ability to qualify for the Profession.

STUDENTS' SOCIETIES.

A not unimportant feature of the training of the Articled Clerk in England is afforded by the numerous Students' Societies that are spread over the country. These Societies aim at providing some theoretical instruction for their members, but their chief value lies in the Lectures delivered before them periodically by experienced Accountants, Lawyers and others on subjects affecting the Accountancy profession. Discussions take place after the Lectures in which the Students are expected to join, and the Lecturers undertake to answer any queries that may be put to them. In addition each Society maintains a useful reference Library for the use of the Students.

Although the work of the Students' Societies is undoubtedly valuable, it is believed that much more might be attempted, and that under central control the Societies might take a more active and important part in the Accountancy Students' education.

In present conditions the vitality of a Society depends on local interest and enthusiasm. Indifference among the Principals or slackness among the Students quickly engenders debility. Lectures are poorly attended, proceedings are conducted at haphazard, and the educational influence of the Society becomes negligible.

A more progressive policy in regard to these Societies is advocated. They should, it is submitted, be controlled by the Institute of

Chartered Accountants by whom their activities should be directed, and their regulations framed. Membership of the local Students' Society should be compulsory for all Articled Clerks, and attendance at Lectures and other proceedings should be obligatory. The Programme of Lectures should be approved by the Institute in order to ensure, as far as possible, uniformity of theoretical training during Articles. It would be advantageous, it is believed, if short papers were prepared by certain of the Students to be delivered, with the aid of brief notes only, at some of the meetings. If the subjects of the papers were published at the beginning of each Session individual Students could be selected at random to take part in the subsequent discussions, and the uncertainty of being called upon to speak would compel each Student to think out and formulate his views in advance.

In this way not only would the subjects dealt with be studied seriously by the Students, but the logical arrangement of ideas and clarity of expression would be developed.

In many other directions could the central authority exercise a beneficial influence. The study of selected standard works on Economics or Financial subjects might be prescribed, from which helpful topics for discussion could be drawn. This would enlarge the reading of Students, and give a broader basis and a wider application to their studies.

Current legal decisions offer further important opportunities for progressive education. Here there is room for systematic treatment. Legal decisions of any importance affecting the Profession are reported weekly in the „Accountant", which is the premier organ of the Accountancy profession in England.

These reports are available to Students, and it is submitted, are so important to their training that they should be studied, not only in regard to the particular decisions given, but in conjunction with the principles of Law raised by them.

In this matter the central authority might well conduct locally short examinations both written and oral once or twice a year, without clashing with the major qualifying examinations. Successive failures in these examinations would justify a Student being held ineligible to sit for his next qualifying examination until the expiration of six months from the date when he would normally have been entitled to sit.

Another matter that has a direct bearing on the education of Students is the question of text books. Compared to other professions the Accountancy Profession is lacking in first class text books, and this is due partly to the scope of the Profession, and partly to the want of specialisation. Here again it is suggested there is opportunity for important action by the central authority. Enterprise and the desire for learning have created many famous works, contributed to by men of recognised authority in different branches of a subject. Could not standard works on Accountancy subjects be similarly compiled on the initation of the central authority?

In Literature the Nobel Prize enjoys a reputation of its own. If an international Prize of similar eminence were offered for works on Accountancy subjects the encouragement to attempt a classic would be great, and the benefit to the Profession incalculable.

It is submitted further that the publication of Accountancy text books might, with advantage, be regulated so as to remove all obstacles to their translation into foreign languages. In this event there could be a most valuable free interchange of standard works between the nations, and it would be the duty of the central authority in each country to advise foreign authorities of newly published works and to supply them with copies when requested. No nation can afford to be ignorant in any subject of the great intellectual products of other nations.

The Education of the Qualified Accountant.

It is, perhaps, a platitude to say that the education of a Chartered Accountant does not cease with his admission to the Profession. Many will hold that it is only then that his real education begins in the acquisition of experience, and the practical application of theoretical knowledge.

A proper co-ordination of theoretical knowledge and practical experience is undoubtedly the ideal equipment in all Professions.

The point it is desired to emphasise, however, is that while experience is forced on the practising Accountant, theory has often to be sought out, and that success in the Profession demands continuous study, and an intimate knowledge of legal changes and up to date methods and ideas.

As an illustration reference may be made to modern forms of mechanical equipment as aids to business efficiency and economy. Photography, in particular, is being resorted to increasingly for the reproduction of all forms of Accounts and statements. It ensures complete accuracy, saves time, and economises staff by rendering calling over unnecessary. Moreover by giving an exact copy of the original it discloses to the Principals careless or untidy work.

This is only one small instance of the many directions in which the practising Accountant needs to apply himself to the serious and continuous study of the progressive changes of commercial practice and their legal consequences.

Conclusion.

Insularity is a particular weakness of the English race. Though it is less in evidence than it was, it is still too prominent a national characteristic, and those who have the interests of the nation at heart must welcome all measures that help to eradicate it.

International Congresses are peculiarly suited to this end, and in the case of the Accountancy Profession, which is still in its lusty infancy, there are special reasons for hoping that the nations will draw closer together in a common effort for progress.

Is it too much to hope that this Congress, inaugurated in this ancient Capital, will continue to meet each year, and will honour in turn the great cities of the world with its deliberations?

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